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DIRECTORATE OF  
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# *Central Intelligence Bulletin*

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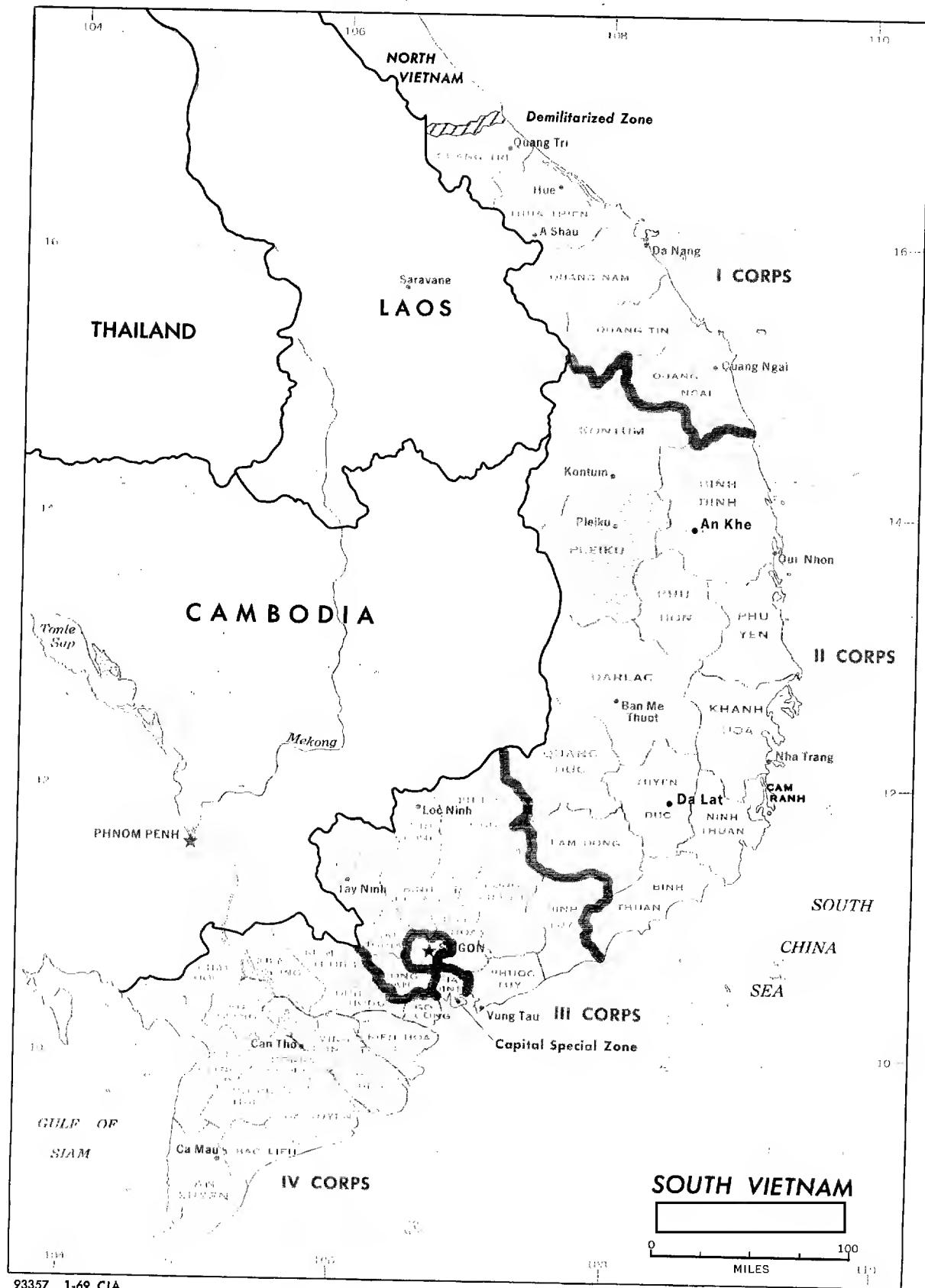
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**[** Vietnam: The Communists intend to step up the pace of small-scale terrorist attacks in urban areas within the next few days and weeks.

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the Communists will maintain military pressure on the allies with small urban guerrilla squads which can be successfully infiltrated into populated areas.

the Communists have had trouble moving their large main force units back toward South Vietnamese urban areas from Cambodian border positions because the units are easily detected and frequently hit before they can reach their intended target.

The Communists have now decided to hold these main force units in reserve or use them against outlying objectives,  and only sapper and terrorist units will attempt to penetrate urban defenses.  fairly widespread terrorist attacks throughout III Corps in the near future without any serious Communist effort to seize and hold territory.

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On 15-16 January, the Communists fired mortars at a network of bases in northwestern Pleiku Province and in the delta. Ground attacks were confined to two company-sized probes against South Vietnamese pacification forces near Da Lat and against US forces in the An Khe area.

\* \* \* \*

Hanoi has given only routine propaganda coverage to the agreement reached in Paris on procedural matters.  (Map)

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Nonproliferation Treaty: Italy, which regards itself as a leader of the nonnuclear powers, claims some success in inducing several holdout countries to sign the treaty when it does.

According to an official of the Italian Foreign Ministry, Turkey has agreed to sign about the same time, which may be before the end of January. The Indonesians also gave a positive response to the Italians but were not precise on when they would sign. Australia and Japan apparently will sign after US ratification.

Switzerland will consider the matter again in the spring, according to the Italians. Spain wants to link its signature with the Gibraltar issue, and is not expected to sign immediately. The West Germans are awaiting further discussions with and clarification from the US, and are still uneasy about the problems raised by some recent Soviet statements.

The Israelis have said they are not yet ready to sign in view of the still unresolved problem of "American security guarantees." This is the first time the Israelis have explicitly connected their willingness to sign the treaty with their desire for security assurances from the US, but they have hinted at the connection before.

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Poland: One of Gomulka's leading rivals, hard-line nationalist Mieczyslaw Moczar, a party secretary and candidate politburo member, may be in trouble.

Some recent shifts in provincial leaderships, probably made with Gomulka's acquiescence, may have weakened the former interior minister's position. According to rumors, several "Moczar men" have been removed from the Ministry of Internal Affairs, once a stronghold of Moczar supporters. All of the men mentioned in the "purge" thus far are reputedly tough anti-Semites who want to oust all Jews from the party.

Moczar's position as head of the Polish veterans' organization, from which he draws his popular support, also is rumored to be in jeopardy. In addition, he has not been noted in public for more than two weeks and this absence has fed rumors, still unverified, that he is under house arrest.

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Peru: The Velasco government has placed an embargo on the International Petroleum Company's (IPC) remaining assets and may be preparing to expropriate them.

Pressure for further action against the American-owned IPC has grown out of a dispute over the price the company is to pay for oil products it has drawn from the already expropriated Talara refinery. IPC, which handles roughly half of the oil and fuel distribution in Peru, has refused to recognize state ownership of the refinery and says that it will pay only the "direct costs of production." IPC yesterday refused to accept shipping orders designating the state oil company as the owner of the petroleum products being shipped from the Talara refinery to IPC's distribution outlets.

A source close to President Velasco told the US Embassy on 15 January that IPC's remaining assets would be expropriated "within a few days," and the announced embargo on these assets, presumably including bank accounts, could be the first move in that direction.

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Iraq: A wave of arbitrary arrests and expulsions of US citizens is under way.

On 30 December an American employee of the Iraq Petroleum Company was arrested after having been called in by police to explain the functioning of a radio receiver. His wife was picked up a few days later. Officials of the Belgian Embassy, which has been in charge of US interests since mid-1967, have been unable to visit the couple, find out the charges, or obtain a lawyer.

On 9 January five more US citizens were arrested, four of them American wives of Iraqis and one the wife of a British UN official. All but one of these have been released. Two days ago, however, the government ordered the expulsion of some 20 American refinery workers without giving any grounds.

Inasmuch as none of the arrests has been made public, the anti-American campaign is presumably not an attempt to find a scapegoat for the failings of the shaky Baath regime. The Iraqis may be genuinely convinced that local Americans represent a danger to them. The uncovering of an Israeli spy ring was recently given wide publicity.

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Mexico: Two Soviet officials have been expelled for meddling in Mexican affairs. The Soviets, who had valid Mexican visas, arrived from Cuba last week at the invitation of the Communist General Union of Mexican Workers and Peasants, which had recently aroused government suspicion by calling for drastic action on agrarian problems. After being warned by the government against meddling, the Soviets visited another labor union, and were summarily deported. This is the first such case since three Soviets were expelled in 1959, also for labor agitation. The Mexican Government has not publicized the incident.

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Communist China: Peking's success in building hydrofoil naval craft of unique Chinese design is providing the coastal defense forces with high-speed patrol craft capable of operating in rough seas. Production of a hydrofoil motor gunboat--designated the Shan-tung class--is under way in China, and some probably will be deployed with coastal defense forces later this year. The Shan-tung may have a top speed of about 50 knots and probably will gradually replace the slower Swatow motor gunboats built until the early 1960s. China began producing Hu-chwan - class hydrofoil torpedo boats several years ago, and about 65 are now distributed among the three fleet areas.

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(continued)

Communist China: The customary January distribution of the annual cloth ration coupons may be as much as six months late this year.

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To cover the delay, 1968 cloth coupons are being extended to mid-year, suggesting that the actual distribution of cloth may also be delayed. The government probably has been unable to restore cloth production sufficiently in the face of disruptions from the Cultural Revolution, although the supply of raw cotton seems to have been adequate during the past two years. Continued depressed production would significantly affect the morale of the population, which is already inadequately clothed because of past shortages of cloth.

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Chile: The government is moving against foreign Communists who hold responsible positions in Chilean universities. Minister of Education Maximo Pacheco, supported by President Frei, has abrogated the contracts of 60 leftist Argentine professors at two Chilean universities, using as an excuse the fact that the Argentines receive twice the salary the Chilean professors do. Pacheco told the US ambassador that his action has caused an "uproar" among Chilean Communists and Socialists. President Frei may hope that by removing foreign Communists he can strengthen moderate influence in the Chilean universities. [redacted]

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Anguilla: The moderate leaders of this Caribbean island have reaffirmed their independence from the Associated State of St. Kitts, despite the refusal of the UK to accept the declaration of last May as legal. The premier of St. Kitts had insisted that London take strong measures to block Anguilla's independence. The British responded by recalling their representative and cutting off all economic aid. The main problem for Anguilla is to find other sources of outside assistance to permit its economic survival.

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Brazil: The government yesterday stripped more prominent Brazilians of their political rights. The group included three members of the supreme court, a number of congressmen, and a prominent publisher. Additional purges may well be in the offing. This step, especially the action against the judiciary, is primarily a victory for those hard-line elements in the government who have demanded that President Costa e Silva use his dictatorial powers to "clean out subversives." It points up the President's inability to withstand pressures from the hard-line military officers, and seems to weaken the hand of those close to the President who have counseled moderation.

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